

BEFORE

THE PUBLIC SERVICE COMMISSION OF

SOUTH CAROLINA

DOCKET NO. 2020-4-G

IN RE:

Annual Review of Purchased Gas)	JOINT PROPOSED ORDER
Adjustment and Gas Purchasing)	RULING ON PURCHASED
Policies of Piedmont Natural Gas)	GAS ADJUSTMENT AND GAS
Company, Inc.)	PURCHASING POLICIES

The above-captioned matter is before the Public Service Commission of South Carolina (“Commission”) concerning its annual review¹ of the Purchased Gas Adjustment (“PGA”) and gas purchasing policies of Piedmont Natural Gas Company, Inc. (“PNG”). The South Carolina Office of Regulatory Staff (“ORS”) is a party of record in this proceeding under the provisions of S.C. Code Ann. § 58-4-10(B) (Supp. 2019). PNG and ORS (collectively the “Parties” or individually a “Party”) are the only parties to this proceeding and have entered into a settlement agreement (“Settlement Agreement”) which was filed with the Commission on June 30, 2020.

The Commission conducted a virtual hearing in this matter on July 9, 2020 beginning at 10:00 a.m. with the Honorable Comer H. Randall, Chairman, presiding. C. Lessie Hammonds, Esquire and Jeffrey M. Nelson, Esquire appeared on behalf of ORS. Melinda L. McGrath, Esquire and T. Richmond McPherson, III, Esquire appeared on behalf of PNG.

At the hearing, and upon the motion of the Parties, the Commission accepted into the record the pre-filed direct testimony and exhibits of PNG witness MaryBeth Tomlinson, the pre-filed settlement testimony of MaryBeth Tomlinson, the pre-filed direct testimony of PNG witness Todd

¹ See Commission Order No. 88-294 dated April 6, 1988 (annual review).

Breece, and the pre-filed direct testimony and exhibits of PNG witness Jeffrey Patton. The pre-filed direct testimony of ORS witness Michael Seaman-Huynh and the pre-filed direct testimony and exhibits of ORS witness Daniel Sullivan were also accepted into the record.

The Commission accepted into evidence the Settlement Agreement as Hearing Exhibit No. 1. PNG witness Tomlinson's exhibits (MBT 1-2) were admitted into evidence as Composite Hearing Exhibit No. 2. PNG witness Patton's exhibits (JCP 1-7), corrections to pages 3, 4, and 5 of witness Patton's pre-filed testimony, and corrections to Exhibit JCP-5C were admitted into evidence as Composite Hearing Exhibit No. 3. ORS witness Sullivan's exhibits (DSF 1-3) were admitted into evidence as Composite Hearing Exhibit No. 4.

At the hearing, PNG witness Tomlinson testified to the end-of-period balances and the accounting for PNG's deferred gas cost account (Account #253.133). That accounting is set out in Composite Hearing Exhibit No. 2 (Exhibit_MBT-1 attached to the pre-filed testimony of MaryBeth Tomlinson). PNG maintains an account reflecting its gas costs each month, the amount of gas costs recovered each month, and amounts deferred each month. PNG also maintains a hedging account, which records the results of its hedging activities undertaken in accordance with its hedging plan.

In her settlement testimony, PNG witness Tomlinson testified that, following extensive review, examination and discussions between PNG and the ORS, both Parties agreed to each of the matters stipulated in the Settlement Agreement. Witness Tomlinson testified that the Settlement Agreement is offered by the Parties as a fair, reasonable and full resolution of all issues in this proceeding.

PNG witness Todd Breece testified as to PNG's gas purchasing policies and the components of the "best cost" gas purchasing policy. Witness Breece stated that PNG did not

implement any changes in its “best cost” gas purchasing policies or practices during April 1, 2019 through March 31, 2020 (the “Review Period”). Witness Breece also testified that PNG has taken numerous measures to manage its gas costs consistent with its “best cost policy” including active participation at the Federal Energy Regulatory Commission (“FERC”), restructuring of supply and capacity contracts to adjust to market conditions, and the promotion of more efficient peak day use of natural gas and load growth from “year-round” markets in order to improve the Company’s load factor and reduce average unit costs. He added that the “best cost” purchasing policy utilized by PNG has been reviewed and found prudent on all occasions in South Carolina and the other jurisdictions in which PNG operates.

PNG witness Jeffrey Patton testified that PNG serves approximately 151,812 customers in South Carolina and that during the Review Period, PNG delivered 65,476,084 dekatherms (“dts”) of natural gas to its South Carolina customers. Witness Patton also explained the calculation of PNG customer growth and design day needs and the process utilized by PNG to acquire new capacity. According to PNG, it calculates the design day needs of its system based on a number of factors and inputs, including historical weather, historical operating experience, forecasted customer additions, and projected demand. PNG states that it then calculates a reserve margin to ensure its ability to provide safe and reliable service to its firm customer base during design-day conditions.

ORS witness Seaman-Huynh testified that PNG had adequate firm supplies to meet its firm customer requirements; is continuing its attempts to get the best terms available in its negotiations with suppliers; has been active in relevant FERC proceedings; and managed its hedging activities in a manner consistent with the terms of its approved hedging program during the Review Period.

ORS witness Sullivan testified that ORS had performed an examination of PNG's purchased gas deferred account, storage inventory activity, and hedging account activity for the Review Period. Based upon that examination, it is the opinion of ORS that the over collection balance in the purchased gas deferred account at March 31, 2020 of (\$1,450,387), shown on PNG witness Tomlinson's Exhibit MBT-1 is accurately stated.

The Settlement Agreement reflects that: (i) PNG's gas purchasing policies and practices during the Review Period were reasonable and prudent; (ii) PNG properly adhered to the gas cost recovery provisions of its gas tariff and relevant Commission orders during the Review Period; (iii) PNG managed its hedging program during the Review Period in a reasonable and prudent manner consistent with Commission orders; and (iv) the end-of-period balances for PNG's deferred gas cost account and PNG's hedging account activity during the Review Period are those reflected in the pre-filed direct testimony and exhibits of PNG witness Tomlinson.

NOW, THEREFORE, based upon the foregoing, IT IS HEREBY DECLARED AND ORDERED THAT:

1. The pre-filed direct testimony of PNG witness Todd Breece, the pre-filed direct testimony and exhibits of PNG witness Jeffrey Patton, and the pre-filed direct testimony, exhibits, and settlement testimony of PNG witness MaryBeth Tomlinson are accepted into the record without objection.

2. The pre-filed direct testimony and exhibits of ORS witness Daniel Sullivan and the pre-filed direct testimony of Michael Seaman-Huynh are accepted into the record without objection.

3. The Settlement Agreement is accepted into the record and incorporated into and made part of this Order by reference and, based upon the testimony and exhibits presented at the hearing of this matter, is found to be in the public interest and constitutes a reasonable resolution of the issues in this proceeding.

4. PNG's gas purchasing policies and practices during the Review Period were reasonable and prudent.

5. PNG properly adhered to the gas cost recovery provisions of its gas tariff and relevant Commission orders during the Review Period.

6. PNG managed its hedging program during the Review Period in a reasonable and prudent manner consistent with Commission orders.

7. The end-of-period balances for PNG's deferred gas cost account and Piedmont's hedging account activity during the Review Period are those reflected in the testimony of Witness Tomlinson.

8. This Order shall remain in full force and effect until further Order of the Commission.

BY ORDER OF THE COMMISSION:

Comer H. Randall, Chairman

ATTEST:

Florence P. Belser, Interim Vice Chair